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**FISCAL IMPACT STATEMENT**

**LS 6520**

**BILL NUMBER:** HB 1297

**NOTE PREPARED:** Feb 22, 2005

**BILL AMENDED:** Feb 21, 2005

**SUBJECT:** Annexation.

**FIRST AUTHOR:** Rep. Whetstone

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) (A) This bill allows a municipality in Elkhart County to annex territory that: (1) is not contiguous to the municipality; (2) has its entire area not more than two miles from the municipality's boundary; (3) is to be used for an industrial park containing one or more businesses; and (4) is either owned by the municipality or by a property owner who consents to the annexation.

(B) The bill allows the following to exempt annexed agricultural land from property tax liability until the land is rezoned under a different classification: (1) A town located in a county that contains a racetrack sanctioned by a nationally chartered and recognized auto racing organization. (2) The town of Pendleton. (3) The town of Lapel. (4) A town located in a township that borders the Muscatatuck River. The bill also provides that an annexation ordinance adopted before July 1, 2000, is void if the annexation ordinance is not in effect on July 1, 2005.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (A) When territory is annexed, services need to be extended to that territory. The extension of services to this new territory would create additional expenditures for the municipality. If an ordinance for annexation does not take place or is defeated, then the municipality would not have to make these expenditures.

**Explanation of Local Revenues:** (Revised) (A) The annexation of property broadens the property tax base, which tax rates are based on. If the legislative body of a municipality, under the population constraints provided in the bill, passes an ordinance to annex territory, the existing taxpayers in the municipality could see some rate reduction and the annexed taxpayers could see a rate increase.

The provisions in this bill already apply to the municipalities located in the following counties: Bartholomew, Cass, Floyd, Grant, Huntington, Jasper, Marshall, Starke, and St. Joseph.

(B) Under current law, all Lake County municipalities and Plainfield, Avon, Michigan City, and Westfield may annex property classified as agricultural and exempt that property from the municipality's portion of property taxes until the property's classification is changed. This bill would allow a town located in a county that contains certain auto racetracks, the towns of Pendleton and Lapel, and a town located in a township that borders the Muscatatuck River to do the same.

Agricultural land has a relatively low value for property tax purposes. Exemptions of this type of property from property taxes would not represent very much valuation. Therefore, this provision would reduce the property tax base by an insignificant amount for those taxing units that currently serve the property.

However, this provision would also keep the value of this property from being added to the municipality's tax base. Because the exemption would prevent the shifting of municipal property taxes onto agricultural land, total local revenues would not be affected. A town could annex agricultural property in anticipation of a future project, which could ultimately have a positive fiscal impact in and surrounding the town.

*Background:* Of the more widely known racing organizations that hold auto races in Indiana are the National Association for Stock Car Racing (NASCAR), National Hot Rod Association (NHRA), and Indy Racing League (IRL). At least two auto racetracks are commonly used by these organizations, which are Indianapolis Motor Speedway and Indianapolis Raceway Park (IRP). The Speedway is located within Marion County, while the IRP is located in Hendricks County. This bill would affect towns located within these two counties.

There are likely other auto racetracks that fall under the purview of this bill, however, it is unknown how many and at what locations.

**State Agencies Affected:**

**Local Agencies Affected:** Certain municipalities, and towns located in certain townships.

**Information Sources:** [nascar.com](http://nascar.com); [nhra.com](http://nhra.com); [indyracingleague.com](http://indyracingleague.com).

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